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Richard E. May
Cabinet Secretary

August 1, 2011

The Honorable Susana Martinez
Governor of New Mexico
400 State Capital
Santa Fe, NM 87501

The Honorable Ben Lujan
State Representative, Speaker of the House, and
Co-Chair, New Mexico Legislative Council
c/o Raul Burciaga, LCS Director
411 State Capitol
Santa Fe, NM 87501

The Honorable Timothy Z. Jennings
State Senator, President Pro Tempore, and
Co-Chair, New Mexico Legislative Council
c/o Raul Burciaga, LCS Director
411 State Capitol
Santa Fe, NM 87501

RE: First Report of the Natural Gas Emergency Investigation Task Force

Dear Governor Martinez, Speaker Lujan, and President Pro Tempore Jennings:

Pursuant to Laws 2011, Chapter 2, Section 1(E) and as chair of the task force, I am writing to provide you with the initial report of the Natural Gas Emergency Investigation Task Force (Task Force). As explained below, the Task Force anticipates issuing its findings and recommendations to the Governor and appropriate interim legislative committees in the fall of 2011, after it has the opportunity to consider the results of independent investigations of the Public Regulation Commission (PRC).

The Task Force held its first meeting on Monday, July 25, 2011. At that meeting, PRC staff identified two independent investigations launched by the PRC in response to last winter's natural gas emergency, the results of which are relevant to the Task Force's work. First, the PRC has pending before it a formal investigation, *In the Matter of an Investigation into New Mexico Gas Company's Curtailments of Gas Deliveries to New Mexico Consumers and Electric Utilities, New Mexico Gas Company, Respondent*, Case No. 11-00039-UT. In that case, the PRC is investigating the causes of the New Mexico Gas Company's curtailment of natural gas deliveries to New Mexico customers and ways to avoid future curtailments, among other things. Second, the PRC created an informal task force to investigate the severe weather emergency. The PRC informal task force's mission includes developing a concise summary of events and identifying measures that PRC-regulated entities should consider taking to mitigate the impact of future severe cold weather occurrences.

PRC staff also stated that the Federal Energy Regulatory Commission (FERC) had initiated a formal inquiry into the natural gas emergency, *Inquiry into Recent Outages in Texas and the Southwest*, FERC Docket No. AD11-9-000. No one present at the Task Force's July 25 meeting could predict when FERC would take final action in that inquiry.

PRC staff indicated that the PRC's final action in Case No. 11-00039-UT and the report of the PRC informal task force should be issued in August 2011. At its July 25, 2011 meeting, the Task Force unanimously decided to wait for the PRC to act in those matters before completing its work. This decision was made to ensure that the Task Force's findings and recommendations are based upon the most comprehensive information available while also

Governor Martinez, Speaker Lujan, and President Pro Tempore Jennings

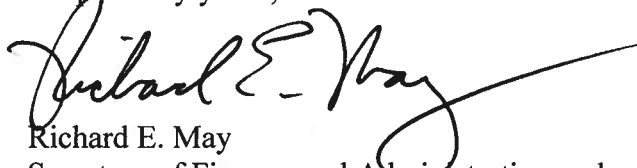
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allowing the Task Force to complete its work before the next regular session. Given the PRC's timeline for action, the Task Force anticipates making its findings and recommendations in the fall of 2011. This timeframe may enable the Task Force to consider FERC's decision in FERC Docket No. AD11-9-000, should FERC issue a decision in time for the Task Force to do so.

In sum, the Task Force anticipates issuing its findings and recommendations this fall. In the meantime, please do not hesitate to contact me should you want to discuss or desire additional information about the Task Force.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Richard E. May", with a long, sweeping horizontal line extending to the right.

Richard E. May
Secretary of Finance and Administration and
Natural Gas Emergency Investigation Task Force Chair

cc (by email):

Task Force Members

Keith Gardner, Governor's Chief of Staff

John Yaeger, New Mexico Legislative Council Service